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RUEATRS/DEPT OF TREASURY WASHDC  
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STATE FOR WHA/BSC AND EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PINR](#) [KCRM](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, MARCH  
18-24, 2006

REF: A. ASUNCION 296

[1](#)B. ASUNCION 200

[1](#)C. ASUNCION 188

[1](#)1. (U) Summary:

- NDF Sidesteps Constitutional Ruling
- Castiglioni View on American Airlines Case
- Congressman Implicated in Disappearance
- Paraguayan Company Linked with Arms-Trafficking

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NDF Sidesteps Constitutional Ruling  
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[1](#)2. (U) On 3/20, President Duarte withdrew his petition for a Supreme Court review of whether Paraguay's Constitution permits him to exercise the Colorado (ANR) party presidency, while serving as President of the Nation. By withdrawing his petition, Duarte precluded the Court from ruling on whether he violated the Constitution by temporarily assuming the party presidency after winning the 2/19 ANR internal elections (ref B). Duarte was legally (if not constitutionally) able to assume the party presidency because the Supreme Court divided along party lines and suspended the Supreme Electoral Justice Tribunal's (TSJE) earlier ruling that he could run for the party presidency but not exercise it. As a result of Duarte's petition, the Supreme Court was required to suspend the TSJE's ruling "pending review" of the underlying constitutional issue, a review that will not occur now that Duarte has withdrawn his petition. Duarte then assumed the party presidency, but immediately passed the title to Jose Alderete, former Minister of Public Works. Duarte told the nation that he withdrew the Supreme Court petition to demonstrate his commitment to democracy and the rule of law, forgoing his legal right to serve as party president. He is now positioned to reassume the party presidency in 2008, if he fails to secure a constitutional amendment allowing him to run for re-election as President of Paraguay.

13. (SBU) Comment: This was a calculated and well orchestrated legal maneuver by Duarte. His ploy to circumvent the TSJE,s ruling (and the Constitution) by petitioning the Supreme Court drew significant criticism. The subsequent withdrawal of his Supreme Court petition has further angered his opponents. It is unlikely that many people will believe the spin that Duarte is surrendering a legal "right for the country,s benefit". Duarte,s legal maneuvering suggests he is concerned less about his reputation than he is about maintaining control of the Colorado party apparatus. Securing a constitutional amendment that would allow him to run for re-election as President of Paraguay in 2008 is a long-shot in the face of stiff resistance from the opposition. Reassuming the party presidency represents Duarte,s best chance of remaining in control beyond 2008. End Comment.

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Castiglioni View on American Airlines Case  
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14. (U) While on a visit to Miami to promote trade and investment, Vice-President Luis Castiglioni denounced a lawsuit brought against American Airlines by several Paraguayan ex-employees, claiming that it could damage Paraguay,s image abroad and make foreign businesses less likely to invest in the country. He stated to the press that he has been trying to promote Paraguay as a stable, positive environment for business, and that cases such as this derail that effort. On 3/21, an appeals court began looking at the case to determine whether the amount awarded to the plaintiffs was excessive. The ex-employees, who are suing for compensation for loss of non-wage benefits caused by AA,s leaving Paraguay, were awarded over 3 million USD (ref c), despite the country,s laws, which stipulate that a limit of 211 million guaranies (about 33,000 USD) may be awarded to

each ex-employee. The award monetizes theoretical free air travel at a ridiculous level, claiming this privilege as salary. Other local companies have already begun reducing employee privileges to avoid this precedent. The GOP says it will take this to the Supreme Court if the appeal fails.

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Congressman Implicated in Journalist's Disappearance  
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15. (U) Authorities are investigating Colorado Party Congressman Magdaleno Silva for his alleged involvement in the death of rancher Felix Garcia, his ties to drug trafficking organizations, and most recently his suspected involvement in the disappearance of Concepcion journalist Enrique Galeano. Camila Rojas, the prosecutor in charge of the investigation has claimed that Silva has been sending her death threats. Rojas stated to the press that Attorney General Candia has ignored her repeated complaints.

16. (U) Allegations in the press have accused Concepcion Department policemen of purposefully bungling the case. The policemen have made little progress in the investigation. Furthermore, National Police Comandante Fidel Isasa noted to the press that contradictions were found between the official police report of the circumstances of the crime and records of Galeano,s departure from a hotel in the capital of Amambay. Magdaleno Silva publicly denied all charges, claiming that they are part of a smear campaign by his enemies to discredit him, and that he was actually a good friend of Galeano. Silva has also publicly attacked the US-sponsored anti-narcotics unit, SENAD.

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Paraguayan Company Linked with Arms-Trafficking  
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17. (U) On 3/19, the Turkish government informed the GOP that a shipment of 500 rifles originally shipped to Paraguay had been confiscated in Istanbul in April of 2004. The Turks named the Paraguayan firm, Hunter S.A., as the imported of the weapons and noted that an indictment for its director,

Axel Hans Ingo Bendlin Beyersdorff. The Turks stated that the company had authorization from the Military Materials Directorate (Dimabel) to import 500 sporting rifles from Bulgaria through Turkey to Paraguay. However, in Istanbul authorities discovered that the "sporting rifles" were actually AK-47 type machine guns and as such were contraband and subject to confiscation. Turkish authorities suspect that the documentation was forged. They also fear that the weapons were intended to remain in the country to be sold to terrorists.

18. (U) During an interview with local press, Axel Bendlin denied the accusations of the Turkish government. He declared that Turkey's suspicions are the result of a misunderstanding of the content of the invoices, which were written in both Bulgarian and Turkish. He claimed the rifles were intended for sporting use and were transported through Turkey because there is no way to ship goods directly to Paraguay from Bulgaria. Paraguayan Senator Miguel Abdon Saguier has stated to the press that the case will be investigated by Paraguayan law enforcement, and that Paraguay cannot permit its citizens to be involved in the selling of arms to terrorists.

JOHNSON